

Financial Statements

Public Citizens for Children and Youth

May 31, 2018 and 2017

*Rainer
& Company*

A Professional Corporation
Certified Public Accountants

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A Professional Corporation
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Public Citizens for Children and Youth
Philadelphia, Pennsylvania

We have audited the accompanying financial statements of Public Citizens for Children and Youth (a nonprofit organization), which comprise the statements of financial position as of May 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Public Citizens for Children and Youth as of May 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.


Rainer & Company

Newtown Square, PA
November 6, 2018

PUBLIC CITIZENS FOR CHILDREN AND YOUTH
Statements of Financial Position
May 31, 2018 and 2017

| <u>ASSETS</u> | <u>2018</u> | <u>2017</u> |
|---|---------------------|---------------------|
| Current: | | |
| Cash and Cash Equivalents | \$ 125,952 | \$ 562,263 |
| Marketable Securities | 1,440,145 | 866,323 |
| Grants Receivable, Current Portion | 613,828 | 291,435 |
| Contracts and Other Receivables | 36,146 | 16,557 |
| Prepaid Expenses | 13,491 | 12,331 |
| TOTAL CURRENT ASSETS | <u>2,229,562</u> | <u>1,748,909</u> |
| Leasehold Improvements and Equipment, Net | 7,323 | 3,659 |
| Other: | | |
| Grant Receivable, Net of Current Portion | 396,040 | 0 |
| Deposits | 2,846 | 2,846 |
| TOTAL OTHER ASSETS | <u>398,886</u> | <u>2,846</u> |
| TOTAL ASSETS | <u>\$ 2,635,771</u> | <u>\$ 1,755,414</u> |
| | | |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| Current: | | |
| Accounts Payable and Accrued Expenses | \$ 39,327 | \$ 26,445 |
| Custodial Funds | 699 | 648 |
| Accrued Salaries and Vacation | 41,361 | 30,608 |
| TOTAL CURRENT LIABILITIES | <u>81,387</u> | <u>57,701</u> |
| Net Assets: | | |
| Unrestricted: | | |
| Board Designated Funds | 725,948 | 747,928 |
| Undesignated | 141,539 | 50,097 |
| Total Unrestricted | <u>867,487</u> | <u>798,025</u> |
| Temporarily Restricted | 1,686,897 | 899,688 |
| TOTAL NET ASSETS | <u>2,554,384</u> | <u>1,697,713</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 2,635,771</u> | <u>\$ 1,755,414</u> |

The accompanying notes are an integral part of these statements.

PUBLIC CITIZENS FOR CHILDREN AND YOUTH
 Statements of Activities
 For the Years Ended May 31, 2018 and 2017

| | 2018 | | | 2017 | | |
|--|-------------------|------------------------|---------------------|-------------------|------------------------|---------------------|
| | Unrestricted | Temporarily Restricted | Total | Unrestricted | Temporarily Restricted | Total |
| Public Support and Revenue: | | | | | | |
| Public Support: | | | | | | |
| Foundations and Corporations | \$ 281,849 | \$ 1,204,068 | \$ 1,485,917 | \$ 340,683 | \$ 443,500 | \$ 784,183 |
| Individuals | 312,465 | 425,000 | 737,465 | 167,431 | 71,137 | 238,568 |
| Contracts | 75,933 | 0 | 75,933 | 94,425 | 0 | 94,425 |
| United Way & Federated Organizations | 35,683 | 0 | 35,683 | 40,526 | 0 | 40,526 |
| Special Events | 271,337 | 0 | 271,337 | 228,584 | 0 | 228,584 |
| Interest and Dividend Income | 28,394 | 0 | 28,394 | 20,008 | 0 | 20,008 |
| TOTAL PUBLIC SUPPORT AND REVENUE | 1,005,661 | 1,629,068 | 2,634,729 | 891,657 | 514,637 | 1,406,294 |
| Net Assets Released from Restrictions: | | | | | | |
| Restrictions Satisfied by Payments | 841,859 | (841,859) | 0 | 663,761 | (663,761) | 0 |
| TOTAL PUBLIC SUPPORT, REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS | 1,847,520 | 787,209 | 2,634,729 | 1,555,418 | (149,124) | 1,406,294 |
| Expenses: | | | | | | |
| Program Services | 1,509,615 | 0 | 1,509,615 | 1,257,150 | 0 | 1,257,150 |
| Supporting Services: | | | | | | |
| Management and General | 150,236 | 0 | 150,236 | 132,971 | 0 | 132,971 |
| Fundraising | 150,110 | 0 | 150,110 | 152,687 | 0 | 152,687 |
| TOTAL EXPENSES | 1,809,961 | 0 | 1,809,961 | 1,542,808 | 0 | 1,542,808 |
| INCREASE (DECREASE) IN NET ASSET FROM PUBLIC SUPPORT AND REVENUE | 37,559 | 787,209 | 824,768 | 12,610 | (149,124) | (136,514) |
| Other Revenue: | | | | | | |
| Net Realized and Unrealized Gain on Investments | 31,903 | 0 | 31,903 | 46,557 | 0 | 46,557 |
| CHANGE IN NET ASSETS | 69,462 | 787,209 | 856,671 | 59,167 | (149,124) | (89,957) |
| Net Assets - Beginning | 798,025 | 899,688 | 1,697,713 | 738,858 | 1,048,812 | 1,787,670 |
| NET ASSETS - ENDING | \$ 867,487 | \$ 1,686,897 | \$ 2,554,384 | \$ 798,025 | \$ 899,688 | \$ 1,697,713 |

The accompanying notes are an integral part of these statements.

PUBLIC CITIZENS FOR CHILDREN AND YOUTH
 Statements of Functional Expenses
 For the Years Ended May 31, 2018 and 2017

| | 2018 | | | 2017 | | | | |
|--|---------------------|-------------------|-------------------|---------------------|---------------------|-------------------|-------------------|---------------------|
| | Program Services | Management | Fundraising | Total | Program Services | Management | Fundraising | Total |
| Salaries | \$ 876,674 | \$ 87,842 | \$ 71,147 | \$ 1,035,663 | \$ 728,982 | \$ 69,427 | \$ 69,427 | \$ 867,836 |
| Employee Health and Retirement Benefits | 207,925 | 20,834 | 16,874 | 245,633 | 173,397 | 16,514 | 16,514 | 206,425 |
| TOTAL SALARIES AND RELATED EXPENSES | 1,084,599 | 108,676 | 88,021 | 1,281,296 | 902,379 | 85,941 | 85,941 | 1,074,261 |
| Outside Services | 161,767 | 7,469 | 6,049 | 175,285 | 105,572 | 5,083 | 5,648 | 116,303 |
| Audit | 10,484 | 1,114 | 902 | 12,500 | 8,400 | 800 | 800 | 10,000 |
| Supplies | 13,231 | 1,431 | 1,158 | 15,820 | 12,771 | 973 | 1,081 | 14,825 |
| Telephone | 17,734 | 1,884 | 1,526 | 21,144 | 27,252 | 2,595 | 2,595 | 32,442 |
| Postage | 4,367 | 464 | 376 | 5,207 | 6,800 | 647 | 648 | 8,095 |
| Rent | 72,028 | 7,654 | 6,199 | 85,881 | 68,779 | 6,551 | 6,551 | 81,881 |
| Equipment | 22,738 | 2,416 | 1,957 | 27,111 | 21,370 | 2,035 | 2,035 | 25,440 |
| Printing and Copier | 21,450 | 2,279 | 1,846 | 25,575 | 18,245 | 21,800 | 4,873 | 44,918 |
| Travel | 13,532 | 8,374 | 0 | 21,906 | 3,949 | 1,323 | 7 | 5,279 |
| Meetings and Conferences | 4,332 | 2,681 | 0 | 7,013 | 13,836 | 4,640 | 32 | 18,508 |
| Insurance | 4,514 | 480 | 388 | 5,382 | 4,585 | 437 | 437 | 5,459 |
| Special Projects | 75,000 | 0 | 0 | 75,000 | 61,674 | 0 | 0 | 61,674 |
| Event Expenses | 0 | 4,906 | 41,358 | 46,264 | 0 | 0 | 41,893 | 41,893 |
| Depreciation | 3,839 | 408 | 330 | 4,577 | 1,538 | 146 | 146 | 1,830 |
| TOTAL FUNCTIONAL EXPENSES | \$ 1,509,615 | \$ 150,236 | \$ 150,110 | \$ 1,809,961 | \$ 1,257,150 | \$ 132,971 | \$ 152,687 | \$ 1,542,808 |

The accompanying notes are an integral part of these statements.

PUBLIC CITIZENS FOR CHILDREN AND YOUTH

Statements of Cash Flows

May 31, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|--|--------------------------|--------------------------|
| Cash Flows From Operating Activities: | | |
| Change in Net Assets | \$ 856,671 | \$ (89,957) |
| Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities: | | |
| Depreciation | 4,577 | 1,830 |
| Realized and Unrealized (Gain) on Investments | (31,903) | (46,557) |
| Decrease (Increase) in: | | |
| Grants Receivable | (718,433) | 637,534 |
| Contracts and Other Receivables | (19,589) | 4,036 |
| Prepaid Expenses and Other Expenses | (1,160) | (2,941) |
| Increase (Decrease) in: | | |
| Accounts Payable and Accrued Expenses | 12,882 | 19,531 |
| Custodial Funds | 51 | 648 |
| Accrued Payroll | 10,753 | (7,675) |
| | <u>113,849</u> | <u>516,449</u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 113,849 | 516,449 |
| Cash Flows From Investing Activities: | | |
| Proceeds from Sale of Investments | 355,913 | 5,771 |
| Purchase of Equipment | (8,241) | (5,489) |
| Purchase of Investments | (897,832) | (27,172) |
| | <u>(550,160)</u> | <u>(26,890)</u> |
| NET CASH USED BY INVESTING ACTIVITIES | (550,160) | (26,890) |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (436,311) | 489,559 |
| Cash and Cash Equivalents - Beginning | <u>562,263</u> | <u>72,704</u> |
| CASH AND CASH EQUIVALENTS - ENDING | <u>\$ 125,952</u> | <u>\$ 562,263</u> |

The accompanying notes are an integral part of these statements.

PUBLIC CITIZENS FOR CHILDREN AND YOUTH
Notes to Financial Statements
May 31, 2018 and 2017

NOTE 1 - Nature of Operations

Purpose of the Organization – PCCY builds public awareness and public support behind measures that meet the needs of children, with a focus on early care and learning/education, the needs of school age children and the public education system, gaps in child health care and policy, and the challenges faced by children suffering from abuse and neglect or engagement with the juvenile justice system. Awareness is built by publishing reports and disseminating them via public events, briefings and earned media. In addition, citizens learn about the needs of children by engaging as volunteers in direct service efforts that improve the health status of children and arts programs in public schools. Our efforts have resulted in significant growth of public support for increased investment of public funds to meet the needs of children.

NOTE 2 - Summary of Significant Accounting Policies

Basis of Accounting - The financial statements of the Organization have been prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned, and expenses are recognized when incurred. Revenue received for future dues and services is deferred until the applicable year.

Financial Statement Presentation - The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets depending on the existence or nature of any donor restrictions.

Unrestricted - Net assets not subject to donor-imposed restrictions. Such net assets are available for any purpose consistent with the Organization's mission.

Temporarily Restricted - Net assets subject to specific, donor-imposed restrictions that must be met by actions of the Organization and/or passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as releases from restriction. Restricted contributions received in the same year in which the restrictions are met are recorded as an increase to unrestricted support.

Permanently Restricted - Net assets subject to donor-imposed restrictions requiring that they be maintained permanently by the Organization. Such net assets are normally restricted long-term investment, with income earned and appreciation available for specific or general Organization purposes. The Organization does not have any permanently restricted assets as of May 31, 2018 or May 31, 2017.

Cash and Cash Equivalents - For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Promises to Give - Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. The gifts are reported as unrestricted, temporarily, or permanently restricted support depending on the existence or nature of any donor restrictions. The Organization records promises to give as grants receivable.

PUBLIC CITIZENS FOR CHILDREN AND YOUTH
Notes to Financial Statements
May 31, 2018 and 2017

NOTE 2 - Summary of Significant Accounting Policies (Continued)

Contracts Receivable and Other Receivables - The Organization expects contracts receivable to be fully collectible within one year. Accordingly, no allowance for doubtful accounts is required. Balances that are still outstanding after the Organization has used reasonable collection efforts are written off through a charge to operations.

Leasehold Improvements, Equipment, and Depreciation - The Organization capitalizes all expenditures for equipment in excess of \$1,000. Leasehold improvements and furniture are capitalized at cost, including the cost necessary to get the asset ready for its intended use. Depreciation is computed on a straight-line basis using estimated useful lives of respective assets.

Donated Assets - Donated marketable securities and other non cash donations are recorded as contributions at their fair market values at the date of donation.

Donated Services and Materials - A substantial number of volunteers have made a significant contribution of their time to the Organization's programs and supporting services; however, these services do not meet the criteria for recognition as contributed services.

Functional Expenses - The costs of providing various programs and supporting services have been summarized on a functional basis in the statements of activities. Direct expenses are charged directly to the various programs and supporting services benefited. The indirect expenses of occupancy, maintenance, and utilities have been allocated to programs and supporting services based on the total direct costs.

Advertising - Advertising costs are expensed as incurred. The Organization has no advertising cost during the years ended May 31, 2018 and 2017.

Tax Status - The Organization is exempt from Federal income taxes under Internal Revenue Code Section 501(c)(3) and applicable state law.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. If the Organization were to incur any income tax liability in the future, interest on any income tax liability would be reported as interest expense, and penalties on any income tax would be reported as income taxes. There are no unrecognized tax benefits identified or recorded as liabilities as of and for the years ended May 31, 2018 and 2017.

The Organization's forms 990 are subject to examination by the IRS, generally for three years after they are filed.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events - The Organization has evaluated subsequent events through November 6, 2018, which represents the date the financial statements were available to be issued.

PUBLIC CITIZENS FOR CHILDREN AND YOUTH

Notes to Financial Statements

May 31, 2018 and 2017

NOTE 3 - Concentration of Credit Risk

The Organization maintains cash balances at two financial institutions. The accounts at these institutions are insured by the Federal Deposit Insurance Corporation or Securities Investor Protection Corporation. In the normal course of business, the Organization may have deposits that exceed the insured balance.

NOTE 4 - Fair Value Measurements

The Organization's investments are reported at fair value. The FASB defines fair value as the price that would be received for an asset or paid to transfer a liability in the Organization's principal or most advantageous market in an orderly transaction between market participants on the measurement date.

The fair value measurement accounting literature establishes a fair value hierarchy which requires the Organization to maximize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value: Level 1 inputs consist of unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access as of the measurement date, Level 2 consists of significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data, and Level 3 are significant unobservable inputs that reflect the Organization's own assumptions about the assumptions that market participants would use in pricing an asset or liability. In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

The following table discloses the Organization's investments at fair value as of May 31, 2018 and 2017:

| | Fair Value | Fair Value Measurements Using | | |
|-----------------------------|---------------------|---|--|--|
| | | Quoted Prices in Active Markets For Identical Assets (Level 1) | Significant Unobservable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| <u>May 31, 2018</u> | | | | |
| <u>Fixed Income:</u> | | | | |
| Intermediate-Term Bonds | \$ 490,547 | \$ 490,547 | \$ 0 | \$ 0 |
| Short-Term Bonds | 200,356 | 200,356 | 0 | 0 |
| World Bond | 173,635 | 173,635 | 0 | 0 |
| Total Fixed Income | 864,538 | 864,538 | 0 | 0 |
| <u>Domestic Stock:</u> | | | | |
| Large Blend | 463,515 | 463,515 | 0 | 0 |
| <u>International Stock:</u> | | | | |
| Foreign Large Blend | 112,092 | 112,092 | 0 | 0 |
| TOTAL | \$ 1,440,145 | \$ 1,440,145 | \$ 0 | \$ 0 |

PUBLIC CITIZENS FOR CHILDREN AND YOUTH

Notes to Financial Statements

May 31, 2018 and 2017

NOTE 4 - Fair Value Measurements (Continued)

| | Fair Value | Fair Value Measurements Using | | |
|-----------------------------|-------------------|---|--|--|
| | | Quoted Prices in Active Markets For Identical Assets (Level 1) | Significant Unobservable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| <u>May 31, 2017</u> | | | | |
| <u>Fixed Income:</u> | | | | |
| Intermediate-Term Bonds | \$ 376,137 | \$ 376,137 | \$ 0 | \$ 0 |
| Short-Term Bonds | 113,575 | 113,575 | 0 | 0 |
| Total Fixed Income | 489,712 | 489,712 | 0 | 0 |
| <u>Domestic Stock:</u> | | | | |
| Large Blend | 301,416 | 301,416 | 0 | 0 |
| <u>International Stock:</u> | | | | |
| Foreign Large Blend | 75,195 | 75,195 | 0 | 0 |
| TOTAL | \$ 866,323 | \$ 866,323 | \$ 0 | \$ 0 |

NOTE 5 - Investments

The cost or other basis, unrealized appreciation (depreciation), and market values of investments at May 31, 2018 and 2017 are summarized as follows:

| | Cost or Other Basis | Unrealized Appreciation (Depreciation) | Market Value |
|-----------------------------|---------------------------|--|---------------------|
| <u>May 31, 2018</u> | | | |
| <u>Fixed Income:</u> | | | |
| Intermediate-Term Bonds | \$ 676,013 | \$ (11,831) | \$ 664,182 |
| Short-Term Bonds | 203,908 | (3,552) | 200,356 |
| Total Fixed Income | 879,921 | (15,383) | 864,538 |
| <u>Domestic Stock:</u> | | | |
| Large Blend | 387,601 | 75,914 | 463,515 |
| <u>International Stock:</u> | | | |
| Foreign Large Blend | 107,053 | 5,039 | 112,092 |
| TOTAL | \$ 1,374,575 | \$ 65,570 | \$ 1,440,145 |

PUBLIC CITIZENS FOR CHILDREN AND YOUTH
Notes to Financial Statements
May 31, 2018 and 2017

NOTE 5 - Investments (Continued)

| <u>May 31, 2017</u> | <u>Cost or Other Basis</u> | <u>Unrealized Appreciation (Depreciation)</u> | <u>Market Value</u> |
|-----------------------------|------------------------------------|---|-------------------------|
| <u>Fixed Income:</u> | | | |
| Intermediate-Term Bonds | \$ 372,428 | \$ 3,709 | \$ 376,137 |
| Short-Term Bonds | 113,844 | (269) | 113,575 |
| Total Fixed Income | 4786,272 | 3,440 | 489,712 |
| <u>Domestic Stock:</u> | | | |
| Large Blend | 246,748 | 54,668 | 301,416 |
| <u>International Stock:</u> | | | |
| Foreign Large Blend | 73,187 | 2,008 | 75,195 |
| TOTAL | <u>\$ 806,207</u> | <u>\$ 60,116</u> | <u>\$ 866,323</u> |

Investment income included realized gains of \$26,451 and unrealized gains of \$5,452 for the year ended May 31, 2018. Investment income included realized losses of \$5 and unrealized gains of \$46,562 for the year ended May 31, 2017. Interest and dividend income was \$28,394 and \$20,008 for the years ended May 31, 2018 and 2017, respectively.

NOTE 6 - Grants Receivable

As of May 31, 2018, grants receivable are as follows:

| | |
|--|---------------------|
| | <u>2018</u> |
| Receivable in Less than One Year | \$ 613,828 |
| Receivable in One to Four Years | 416,289 |
| TOTAL GRANTS RECEIVABLE | 1,030,117 |
| Less: Present Value Discount for Grants to be Received in More than One Year (2.23% Effective Rate Used) | <u>20,249</u> |
| GRANTS RECEIVABLE, NET OF DISCOUNT | <u>\$ 1,009,868</u> |

For the year ending May 31, 2017, there were no long term grants receivable.

PUBLIC CITIZENS FOR CHILDREN AND YOUTH
Notes to Financial Statements
May 31, 2018 and 2017

NOTE 7 - Leasehold Improvements and Equipment, Net

| | <u>2018</u> | <u>2017</u> |
|---|---------------------|---------------------|
| Leasehold Improvements | \$ 24,155 | \$ 24,155 |
| Furniture and Equipment | 36,151 | 27,910 |
| Less: Accumulated Depreciation | <u>(52,983)</u> | <u>(48,406)</u> |
| LEASEHOLD IMPROVEMENTS AND EQUIPMENT, NET | <u>\$ 7,323</u> | <u>\$ 3,659</u> |

Depreciation expense was \$4,577 and \$1,830 for the years ended May 31, 2018 and 2017, respectively.

NOTE 8 - Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

| | <u>2018</u> | <u>2017</u> |
|---|-------------------------|-----------------------|
| Child Education and Pre-K | \$ 1,128,564 | \$ 584,551 |
| Picasso Project | 0 | 20,000 |
| Child Health | 150,333 | 192,000 |
| Dream Care | 8,000 | 35,137 |
| Fund For Growth/Strategic Plan | 400,000 | 55,000 |
| Restricted for Future Periods | <u>0</u> | <u>13,000</u> |
| TOTAL TEMPORARILY RESTRICTED NET ASSETS | <u>\$ 1,686,897</u> | <u>\$ 899,688</u> |

NOTE 9 - Net Assets Released From Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors.

| | <u>2018</u> | <u>2017</u> |
|---------------------------------|-----------------------|-----------------------|
| Child Education and Pre-K | \$ 595,055 | \$ 423,761 |
| Picasso Project | 20,000 | 20,000 |
| Child Health | 131,667 | 143,000 |
| Dream Care | 27,137 | 15,000 |
| Soda Tax | 0 | 24,000 |
| Fund for Growth/Strategic Plan | 55,000 | 0 |
| Restricted for Future Periods | <u>13,000</u> | <u>38,000</u> |
| TOTAL RESTRICTIONS RELEASED | <u>\$ 841,859</u> | <u>\$ 663,761</u> |

PUBLIC CITIZENS FOR CHILDREN AND YOUTH

Notes to Financial Statements

May 31, 2018 and 2017

NOTE 10 - Board Restricted Funds

The Board of Directors had \$725,948 and \$747,928 of unrestricted net assets designated for future periods to support the mission of the Organization as of May 31, 2018 and 2017, respectively. Since that amount resulted from an internal designation and is not donor restricted, it is classified and reported as unrestricted net assets.

The overall financial objective of the designated funds is to invest them to maximize total return consistent with an acceptable level of risk to provide a relatively predictable, stable, and constant stream of earnings. Designated funds are invested in a diversified asset mix which includes approximately 60% fixed income funds and 40% equity funds. At any given time, the funds are to be able to fund three months of operating costs with the ultimate goal to fund six months of operating costs.

The primary investment objective of the designated funds is to attain an average annual real total return of at least 3.5% a year, net of management fees, over the long term. All realized interest and dividends from the funds will be distributed into the operating account on a quarterly basis.

Composition of and changes in board designated net assets for the years ended May 31, 2018 and 2017 were as follows:

| | <u>2018</u> | <u>2017</u> |
|--|-----------------------|-----------------------|
| Board Designated Net Assets, Beginning of Year | \$ 747,928 | \$ 727,145 |
| Investment Income | 5,452 | 46,561 |
| Amounts Appropriated for Expenditure | <u>(27,432)</u> | <u>(25,778)</u> |
| BOARD DESIGNATED NET ASSETS, END OF YEAR | <u>\$ 725,948</u> | <u>\$ 747,928</u> |

NOTE 11 - Employee Retirement Plan

The Organization has a contributory retirement plan in accordance with Section 403(b) of the Internal Revenue Code. Employees may contribute up to the limits allowable by the Internal Revenue Code. All eligible employees with one year of service receive a contribution of 2% of their eligible salary. Total contributions made to the Plan for the years ended May 31, 2018 and May 31, 2017 were \$17,410 and \$12,134, respectively.

NOTE 12 - Lease Commitments

The Public Citizens for Children and Youth leases office equipment under various operating leases expiring through 2020. Equipment rental expenses were \$27,111 and \$25,440 for the years ended May 31, 2018 and 2017. The Organization conducts its operations using leased office space. Rent was payable on a month-to-month basis for the lease expiring in July 2018. Effective July 19, 2018, the Organization entered into a ninety-month lease with monthly payments ranging from \$3,428 to \$8,119 per month.

Occupancy expenses charged to operations for the years ended May 31, 2018 and 2017 were \$85,881 and \$81,881, respectively.

PUBLIC CITIZENS FOR CHILDREN AND YOUTH
Notes to Financial Statements
May 31, 2018 and 2017

NOTE 12 - Lease Commitments (Continued)

Future minimum annual lease payments are as follows:

| | | |
|--------------|-----------|-----------------------|
| 2019 | \$ | 83,691 |
| 2020 | | 90,632 |
| 2021 | | 83,196 |
| 2022 | | 83,196 |
| 2023 | | 83,196 |
| Thereafter | | <u>228,790</u> |
| TOTAL | \$ | <u>652,701</u> |